

■ Sales by Nonprofit Organizations

TO: Nonprofit Organizations

Generally, nonprofit organizations are subject to Illinois Retailers' Occupation Tax (*i.e.*, sales tax) when they make any sales of tangible personal property at retail to their members, guests, or others.

If you are a nonprofit organization that is organized exclusively for charitable, religious, or educational purposes (*i.e.*, tax-exempt organization), you should pay special attention. Even if your organization has been issued an Illinois Department of Revenue tax exemption "E" number, you are also responsible for collecting sales tax and remitting it to us in all but three very limited situations explained further in this bulletin.

What should our nonprofit organization do if it is going to make retail sales?

If you are going to make retail sales, you must register with us. To register, you must complete Form NUC-1, Application for Business Registration and send it to us. When you register as a retailer, we will issue your organization a Certificate of Registration on which your organization's Illinois Business Tax number will be printed. After you register, we will determine how often you must file returns and pay sales and use tax.

If your nonprofit organization is a church, you should apply for a single Certificate of Registration to cover all the selling activities of the church and its organizations (*e.g.*, Ladies' Aid Societies).

If your nonprofit organization is a public school or school organization, the board of education that governs the school district should apply for a Certificate of Registration. The board of education should file a single sales tax return that covers all taxable sales by school organizations under its jurisdiction (*e.g.*, school bookstores that sell school supplies; parent-teacher organizations that sell food and beverages to the students or the public).

Note: Sales by teacher-sponsored student organizations (*e.g.*, student councils, student clubs, and choral and band groups) are not taxable, however.

When must a nonprofit organization collect sales tax?

You must collect sales tax on all retail sales.

For example, if you are a professional association and you sell training materials, books, video tapes, or cassette tapes, you must collect sales tax from your customers on these sales. Similarly, if fraternal or recreational organizations sell food to its members, or religious or other charitable organizations operate gift shops and rummage stores, sales tax is owed.

Can a nonprofit organization purchase items it will be selling tax-free?

Yes. Any nonprofit organization may purchase items tax-free if these items are going to be sold or incorporated into an item that will be sold by the organization. These types of transactions are called "sales for resale."

You must provide the retailer or supplier a Certificate of Resale and include your Illinois Business Tax number when you make purchases of items for resale. If you are a qualifying tax-exempt organization, do not use your tax-exempt "E" number to make purchases for resale.

TO: Tax-exempt Organizations

Organizations that are exclusively charitable, religious, or educational that have applied for and been granted tax-exempt status as a purchaser by the Illinois Department of Revenue can engage in three limited selling activities without incurring an Illinois Retailers' Occupation Tax liability.

What are the three selling activities qualifying tax-exempt organizations may hold without having a sales tax liability?

Even though you have a tax exemption "E" number as a

purchaser, you must collect sales tax on all retail sales except in the following situations.

- Sales to members for the organization's purposes are not taxable. For example, sales of uniforms by Scout organizations and sales of Bibles by churches to their members are not taxable sales. If these types of sales are made to the general public, however, sales tax must be collected.
- Sales that are "noncompetitive" with business establishments are not taxable sales if
 - the sales are conducted by your members and not by any franchisee or licensee,
 - all of the proceeds go to your charity,
 - you hold the sales annually or a reasonably small number of times each year, and
 - purchasers are buying the items in order to donate to your charity. In other words, the items being sold are merely a token for making a donation.
- Occasional dinners, social events, or similar activities are not taxable, even if these events are open to the public, and are limited to two times in one calendar year. All other events held in that year are considered taxable. Examples include occasional dinners, ice cream socials, fun fairs, carnivals, rummage sales, bazaars, and bake sales, whether the items sold are donated or

purchased for purposes of the sale.

Note: Sales of hats, greeting cards, and other similar items do not qualify as exempt sales in these situations because they are not "occasional sales," nor "noncompetitive."

Questions?

If you have questions or need more information, please call or write us. Our telephone numbers and address are printed at the bottom of this bulletin.

